

Introduced by Senator Florez

March 4, 2004

An act to amend Section 10754 of the Revenue and Taxation Code, relating to vehicle license fees, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1904, as introduced, Florez. Vehicle license fees.

The Vehicle License Fee (VLF) Law establishes, in lieu of any ad valorem property tax upon vehicles, an annual license fee for any vehicle subject to registration in this state in the amount of 2% of the market value of that vehicle, as specified. The VLF Law offsets this amount by 67.5% for vehicle license fees with a final due date on or after July 1, 2001. Existing law requires the Controller, upon receipt of monthly notification from the Department of Motor Vehicles, to transfer into specified funds, an amount equal to those amounts necessary to reimburse local governments for losses resulting from the VLF offset. Existing law also requires the VLF offsets to be proportionately reduced within 90 days of a finding that there are insufficient moneys available to be transferred from the General Fund to fully fund the vehicle license fee offsets. The vehicle license fee offset was reduced to zero for the period beginning on and after October 1, 2003, based on a finding that insufficient moneys were available to fund the vehicle license fee offsets. On November 17, 2003, that reduction of the vehicle license fee offset was rescinded.

Existing law requires the Controller, no later than August 15, 2006, to transfer, into a specified account, an amount equal to those amounts of moneys that would have been transferred into that account to reimburse local governments for the losses during the 2003–04 fiscal

year, but for the finding that insufficient moneys available to be transferred from the General Fund to fully fund the vehicle license fee offsets and requires the transferred moneys to be allocated from that account in the manner otherwise specified by law. Existing law also authorizes the Controller, with the approval of the Department of Finance, to advance to any county or city that entity's share of the vehicle license fee revenues that the entity would have received, but for the finding that insufficient moneys are available to be transferred from the General Fund, if that entity is able to demonstrate that it will experience a "hardship," as defined, if the advance is not made.

This bill would appropriate \$40,000,000 from the General Fund to the Motor Vehicle License Fee Account in the Transportation Tax Fund for the purpose of making hardship advances during the 2003–04 fiscal year. This bill would require the Controller to proportionately reduce the amount of the hardship advance made to each local entity eligible for that advance if the amounts of approved hardship advances exceed the appropriation amount. This bill would also make technical, clarifying changes to the existing hardship provisions.

This bill declares that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10754 of the Revenue and Taxation
2 Code is amended to read:

3 10754. (a) Notwithstanding any other provision of law, the
4 total amount of the vehicle license fee otherwise required with
5 respect to a vehicle shall be offset in accordance with those
6 provisions set forth below that are operative pursuant to
7 subdivision (b):

8 (1) (A) For any initial or original registration of any vehicle,
9 never before registered in this state, for which the final due date
10 for the license fee is on or after January 1 of any calendar year for
11 which this paragraph is operative, and for any renewal of
12 registration with an expiration date on or after January 1 of any
13 calendar year for which this paragraph is operative, the department
14 shall offset the total amount of fees otherwise due at the time of
15 registration of that vehicle by an amount equal to 25 percent of the



1 amount computed pursuant to Section 10752 or 10752.1, or
2 Section 18115 of the Health and Safety Code.

3 (B) Upon proper payment of license fees to the Department of
4 Motor Vehicles, the amount of the offset for each vehicle shall be
5 transferred into the Motor Vehicle License Fee Account in the
6 Transportation Tax Fund, and into the Local Revenue Fund,
7 pursuant to Section 11000 or Section 11000.1, as applicable.

8 (C) During any period in which insufficient moneys are
9 available to be transferred from the General Fund to fully fund the
10 offsets required by subparagraph (A), within 90 days of a
11 reduction of funding, the department shall reduce the amount of
12 each offset computed pursuant to that subparagraph by
13 multiplying that amount by the ratio of the amount of moneys
14 actually available to be transferred from the General Fund to pay
15 for those offsets to the amount of moneys that is necessary to fully
16 fund those offsets.

17 (2) (A) For any initial or original registration of any vehicle,
18 never before registered in this state, for which the final due date
19 for the license fee is on or after January 1 of any calendar year for
20 which this paragraph is operative, and for any renewal of
21 registration with an expiration date on or after January 1 of any
22 calendar year for which this paragraph is operative, the department
23 shall offset the total amount of fees otherwise due at the time of
24 registration of that vehicle by an amount equal to 35 percent of the
25 amount computed pursuant to Section 10752 or 10752.1, or
26 Section 18115 of the Health and Safety Code.

27 (B) Upon proper payment of license fees to the Department of
28 Motor Vehicles, the amount of the offset for each vehicle shall be
29 transferred into the Motor Vehicle License Fee Account in the
30 Transportation Tax Fund, and into the Local Revenue Fund,
31 pursuant to Section 11000 or Section 11000.1, as applicable.

32 (C) During any period in which insufficient moneys are
33 available to be transferred from the General Fund to fully fund the
34 offsets required by subparagraph (A), within 90 days of a
35 reduction of funding, the department shall reduce the amount of
36 each offset computed pursuant to that subparagraph by
37 multiplying that amount by the ratio of the amount of moneys
38 actually available to be transferred from the General Fund to pay
39 for those offsets to the amount of moneys that is necessary to fully
40 fund those offsets.

1 (3) (A) For any initial or original registration of any vehicle,
2 never before registered in this state, for which the final due date
3 for the license fee is on or after January 1 of any calendar year for
4 which this paragraph is operative, and for any renewal of
5 registration with an expiration date on or after January 1 of any
6 calendar year for which this paragraph is operative, the department
7 shall offset the total amount of fees otherwise due at the time of
8 registration of that vehicle by an amount equal to $67\frac{1}{2}$ percent of
9 the amount computed pursuant to Section 10752 or 10752.1, or
10 Section 18115 of the Health and Safety Code.

11 (B) Upon proper payment of license fees to the Department of
12 Motor Vehicles, the amount of the offset for each vehicle shall be
13 transferred into the Motor Vehicle License Fee Account in the
14 Transportation Tax Fund, and into the Local Revenue Fund,
15 pursuant to Section 11000 or Section 11000.1, as applicable.

16 (C) During any period in which insufficient moneys are
17 available to be transferred from the General Fund to fully fund the
18 offsets required by subparagraph (A), within 90 days of a
19 reduction in funding, the department shall reduce the amount of
20 each offset computed pursuant to that subparagraph by
21 multiplying that amount by the ratio of the amount of moneys
22 actually available to be transferred from the General Fund to pay
23 for those offsets to the amount of moneys that is necessary to fully
24 fund those offsets.

25 (D) (i) The Controller shall, no later than August 15, 2006,
26 transfer from the General Fund to the credit of the Motor Vehicle
27 License Fee Account in the Transportation Tax Fund amounts
28 equal to those moneys that are otherwise required, pursuant to
29 subparagraph (B), to be transferred into that account, that are not
30 so transferred into that account during the 2003–04 fiscal year as
31 a result of the operation of subparagraph (C) *an administrative*
32 *finding that insufficient moneys are available to be transferred*
33 *from the General Fund to fund the offset authorized by*
34 *subparagraph (A).* The transferred moneys shall be allocated from
35 the account in the manner as otherwise specified by law for the
36 allocation of moneys from that account.

37 (ii) The Controller, with the approval of the Department of
38 Finance, may advance from the Motor Vehicle License Fee
39 Account in the Transportation Tax Fund to any county or city that
40 entity's share of the vehicle license fee revenues transferred under

clause (i), if that entity demonstrates that it will experience a hardship *during the 2003–04 fiscal year* if the advance is not made. *The sum of forty million dollars (\$40,000,000) is hereby appropriated from the General Fund to the Motor Vehicle License Fee Account in the Transportation Tax Fund for the purpose of making the advances authorized by this clause.* For purposes of this clause, those circumstances demonstrating that a county or city will experience a “hardship,” include, but are not limited to, the following:

(I) A county or city that has pledged its share of vehicle license fee revenues as security for any indebtedness that, as a result of the delay of the disbursement, will compromise its ability to repay that indebtedness.

(II) A county’s or city’s share of vehicle license fee revenues, as determined by the Controller, exceeds 37 percent of that entity’s general revenue. In the case of a county, the Controller shall make the required calculation of that entity’s general revenue based on information derived from the State of California Counties Annual Report for the 2000–01 fiscal year. In the case of a city, the Controller shall make the required calculation based on information derived from the State of California Cities Annual Report for the 2000–01 fiscal year.

(III) A city that is newly incorporated that is entitled to the allocations of vehicle license fee revenues authorized by Section 11005.3.

(iii) Any funds advanced ~~pursuant to a local entity by reason of~~ a finding of hardship pursuant to clause (ii) shall be disbursed on the 10th day of the calendar month following findings of hardship. The total aggregate amount transferred based on findings of hardship *during the 2003–04 fiscal year* pursuant to clause (ii) may not exceed forty million dollars (\$40,000,000).

(iv) *In the event the total amount of funds approved for advance to counties, cities, and a city and county by reason of a finding of hardship, pursuant to clause (ii), exceeds forty million dollars (\$40,000,000), the Controller shall prorate the approved advance for each entity that demonstrates it will experience a hardship by multiplying that entity’s approved advance by the ratio in which the numerator is forty million dollars (\$40,000,000) and the denominator is the total amount of funds approved for advance to all counties and cities and to a city and county, by reason of a*

1 *finding of hardship pursuant to clause (ii), during the 2003–04*
2 *fiscal year. The Controller shall make any necessary adjustments,*
3 *as required by the operation of this clause, to an advance made to*
4 *a county, city, or city and county pursuant to clause (ii), by*
5 *adjusting that entity’s share of allocations that are otherwise*
6 *required to be made pursuant to Section 11005.*

7 (v) For purposes of Section 15 of Article XI of the California
8 Constitution, the transfers required to be made by this
9 subparagraph shall constitute successor taxes that are otherwise
10 required to be allocated to counties and cities, and as successor
11 taxes, the obligation to make those transfers as required by this
12 subparagraph may not be extinguished nor disregarded in any
13 manner that adversely affects the security of, or the ability of, a
14 county or city to pay the principal and interest on any debts or
15 obligations that were funded or secured by that city’s or county’s
16 allocated share of motor vehicle license fee revenues.

17 (b) The offset provisions set forth in subdivision (a) shall be
18 operative as provided by the following:

19 (1) Paragraph (1) of subdivision (a) shall be operative for
20 vehicle license fees with a final due date in the calendar year
21 beginning on January 1, 1999.

22 (2) Paragraph (2) of subdivision (a) shall be operative for
23 vehicle license fees with a final due date on or after January 1,
24 2000, and before July 1, 2001.

25 (3) Paragraph (3) of subdivision (a) shall be operative for
26 vehicle license fees with a final due date on or after July 1, 2001.

27 (c) (1) For purposes of this section, “department” means the
28 Department of Motor Vehicles with respect to a vehicle license fee
29 offset for a vehicle subject to registration under the Vehicle Code,
30 and the Department of Housing and Community Development
31 with respect to a vehicle license fee offset for a manufactured
32 home, mobilehome, or commercial coach described in Section
33 18115 of the Health and Safety Code.

34 (2) For purposes of this section, the “final due date” for a
35 license fee is the last date upon which that fee may be paid without
36 being delinquent.

37 SEC. 2. This act is an urgency statute necessary for the
38 immediate preservation of the public peace, health, or safety
39 within the meaning of Article IV of the Constitution and shall go
40 into immediate effect. The facts constituting the necessity are:

1 In order to timely reimburse local governments for the revenue
2 losses associated with the vehicle license fee offset, it is necessary
3 that this act take effect immediately.

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